South Eastern Europe and Mediterranean Emerging Market Economies

Weekly Report

22 – 28 November 2016

NBG - Economic Analysis Division
https://www.nbg.gr/en/the-group/press-office/e-spot/reports

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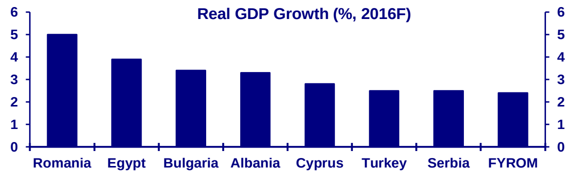
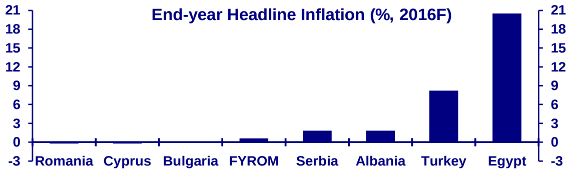
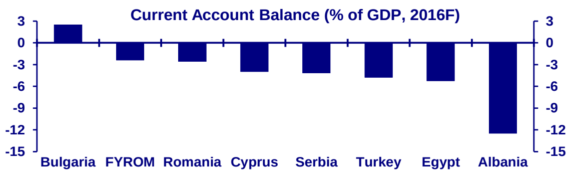
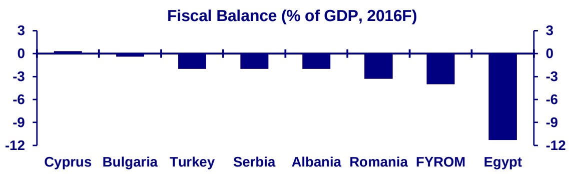


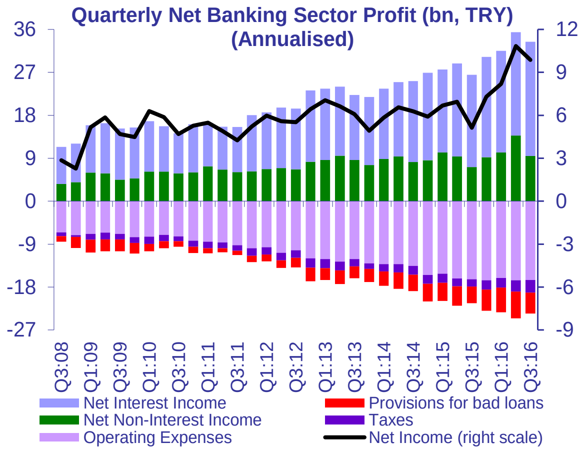


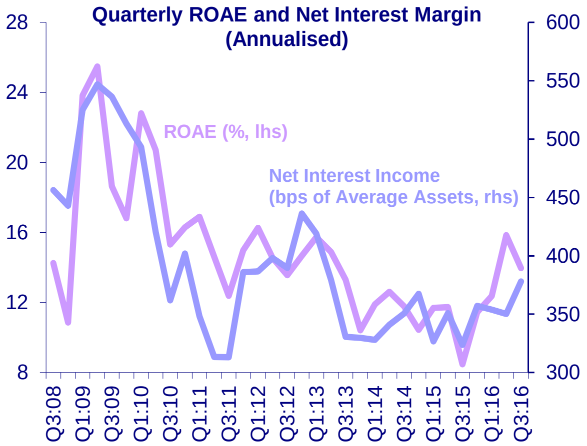


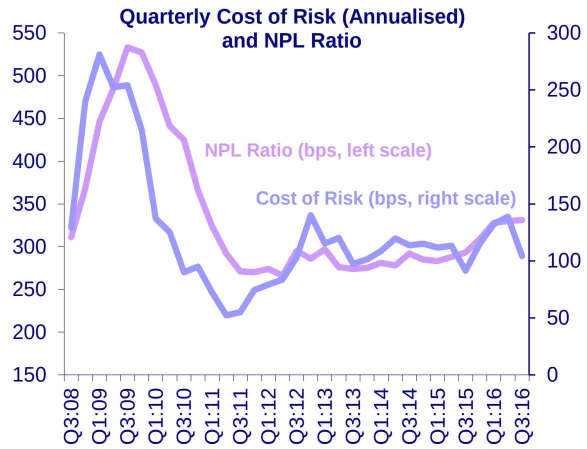


Turkey

BB+ / Ba1 / BBB- (S&P/ Moody's / Fitch)







	28 Nov.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	9.2	9.2	9.5	9.0
TRY/EUR	3.62	3.50	3.46	3.40
Sov. Spread (2019, bps)	281	260	240	200

	28 Nov.	1-W %	YTD %	2-Y %
ISE 100	74,990	-0.7	2.4	-13.0

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	4.2	3.0	4.0	2.5	3.0
Inflation (eop, %)	7.4	8.2	8.8	8.2	7.5
Cur. Acct. Bal. (% GDP)	-7.7	-5.5	-4.5	-4.8	-5.2
Fiscal Bal. (% GDP)	-1.2	-1.3	-1.2	-2.0	-3.0

The banking sector bottom line almost doubled on an annual basis in Q3:16, despite strong headwinds. Banking sector net profit (after tax) rose sharply by 92.7% y-o-y to TRY 9.9bn in Q3:16 or EUR 3.0bn (0.5% of 2016 GDP), despite a sharp deterioration in the operating environment, on the back of heightened uncertainty following the July 15th failed coup. Indeed, in Q3:16, economic growth is estimated to have moderated to 1.2% y-o-y, the unemployment rate rose by 1.2 pps y-o-y to a 6½-year high of 11.3%, and the domestic currency depreciated by c. 4.0% y-o-y against the USD -- all contributing to faster NPL formation.

The improvement in the Q3:16 bottom line, on an annual basis, was driven by higher gains from core activities, lower losses from non-core business, and cost containment. As a result, (annualised) ROAA and ROAE rose sharply to 1.6% and 14.0%, respectively, in Q3:16 from 0.9% and 8.5% in the same quarter a year ago, and cumulative (annualised) ROAA and ROAE improved to 1.6% and 14.6%, respectively, in 9M:16 from 1.1% and 10.9% in 9M:15. Note that in terms of profitability growth, private banks outperformed state banks in 9M:16, with respective net profits rising by 64.1% and 39.2% y-o-y.

Pre-provision earnings soared in Q3:16, on the back of a significant increase in both net interest income (NII) and net non-interest income (NNII) and successful cost control. Net interest income (NII) rose by 23.5% y-o-y in Q3:16, due to a higher net interest margin (over average assets, up 54 bps y-o-y to 378 bps) and, to a smaller extent, still robust average asset growth (up by 12.7% y-o-y).

The improvement in the NIM in Q3:16, on an annual basis, reflects declining funding costs (with the CBRT's effective funding rate and the overnight interbank market rate moderating to 8.7% and 8.9%, respectively, from 11.1% and 8.8% a year ago, and the cost of deposits decelerating), still rising lending interest rates, loan portfolio remix towards higher margin retail segments, as well as larger contribution from CPI-linkers.

NNII rose at a faster pace than NII in Q3:16 (up 32.8% y-o-y to TRY 9.5bn), on the back of the positive base effects from losses on securities and foreign currency trading (down 99.3% y-o-y).

The strong performance of pre-provision earnings in Q3:16 was also driven by a milder increase in operating expenses (up by 1.2% y-o-y to TRY 16.5bn compared with average inflation of 8.0% y-o-y), mainly supported by a decline in headcount and number of branches (down 2.8% and 3.1% y-o-y, respectively, to 212.1k and 11.9k), as well as lower general provisions (down 6.2% y-o-y).

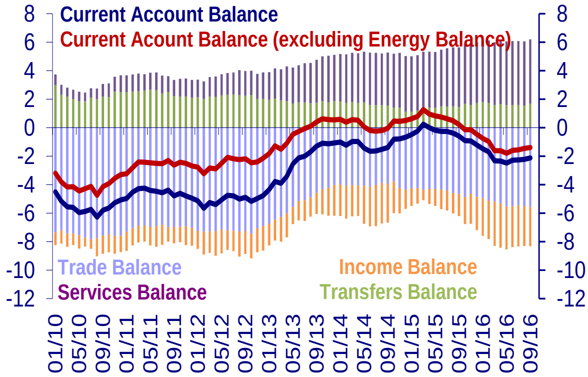
NPL provisions rose significantly in Q3:16, bringing the coverage ratio to a more comfortable level. P/L specific provisions rose by 24.3% y-o-y in Q3:16, as the NPL ratio increased by 38 bps y-o-y to a 6-year high of 3.3% -- still comparing favourably with the CEEMEA and EU-27 averages of 8.0% and 10.0%, respectively. The increase in the NPL ratio in Q3:16 was largely driven by the retail segment, which has borne the brunt of the recent changes in regulations. Indeed, non-performing retail loans increased by 27% y-o-y compared with a moderate rise of 7% in overall retail loans, resulting in a pick-up in the non-performing retail loan ratio by 69 bps y-o-y to 4.5%. On the other hand, non-performing corporate loans increased by 37% y-o-y compared with a rise of 11% in overall corporate loans, bringing the non-performing corporate loan ratio up to 2.9% from 2.4% in Q3:15.

The increase in P/L specific provisions for NPLs improved the NPL coverage ratio – up 285 bps y-o-y to a 2½-year high of 76.4% in Q3:16. With P/L specific provisions rising at a faster pace than gross loans in Q3:16, the cost of risk rose by 13 bps y-o-y to 139 bps.

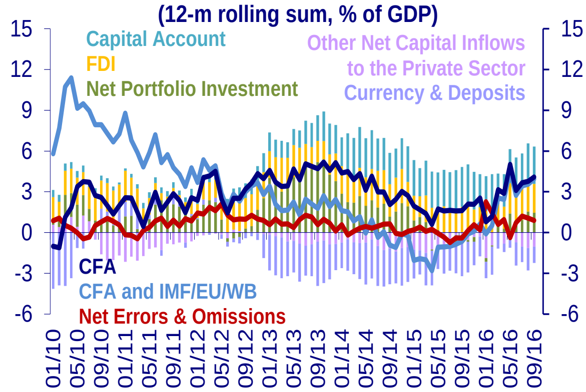
Romania

BBB- / Baa3 / BBB- (S&P / Moody's / Fitch)

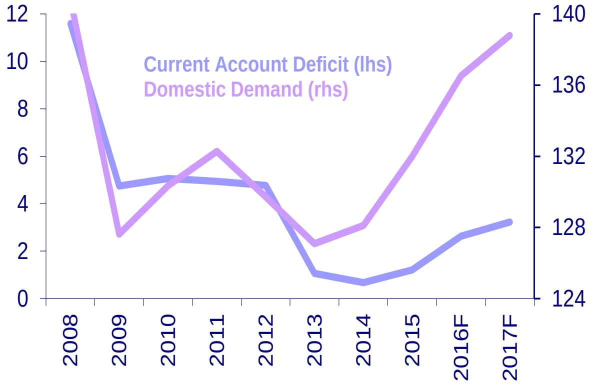
Current Account Balance (12-m rolling sum, % of GDP)



Capital & Financial Account (CFA), IMF/EU/WB and Net Errors & Omissions (12-m rolling sum, % of GDP)



Current Account Deficit & Domestic Demand (% of GDP)



	28 Nov.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.7	0.9	1.2	1.5
RON/EUR	4.51	4.48	4.49	4.50
Sov. Spread (2024, bps)	212	175	165	150

	28 Nov.	1-W %	YTD %	2-Y %
BET-BK	1,294	-0.9	-3.5	-1.4

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	3.5	3.0	3.8	5.0	3.5
Inflation (eop, %)	1.6	0.8	-0.9	-0.2	2.0
Cur. Acct. Bal. (% GDP)	-1.1	-0.7	-1.2	-2.6	-3.2
Fiscal Bal. (% GDP)	-2.5	-1.7	-1.5	-3.3	-3.5

The current account deficit (CAD) rose to 2.1% of GDP on a 12-month rolling basis in September from 1.2% at end-2015, in line with stronger private consumption. In 9M:16, the CAD widened by 0.9 pps y-o-y to 1.6% of GDP. The main factor behind this deterioration was stronger private consumption. The latter can be attributed to large tax cuts (the VAT rate on food and non-food items was reduced by 15 pps (to 9%) and 4 pps (to 20%) in June 2015 and January 2016, respectively), and a looser incomes policy (including large hikes in public wages -- exceeding 15.0% in some sectors, pensions -- up 5.0% -- and social benefits) and its spillover to the private sector.

The capital & financial account improved markedly in 9M:16, pushing FX reserves higher. Adjusting for net debt repayments (1.2% of GDP both in 9M:16 and 9M:15), net portfolio inflows accelerated in 9M:16 (reaching 1.3% of GDP against outflows of 0.2% in 9M:15), suggesting stronger investor confidence in the domestic economy. Net FDI inflows also rose in 9M:16 (to 1.8% of GDP from 1.3% in 9M:15), due to higher reinvestment of earnings and intercompany lending (together up 0.5 pps of GDP y-o-y), which more than offset the decline in direct equity investment. At the same time, the capital account improved (by 0.3 pps y-o-y to 2.2% of GDP in 9M:16), on the back of delayed disbursements from the EU in 9M:15 (up 0.6 pps of GDP y-o-y).

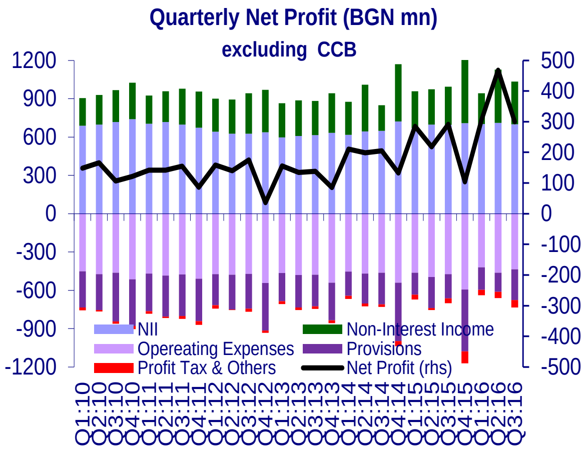
On the other hand, capital outflows from the banking system continued in 9M:16, albeit at a slower pace (reaching 2.0% of GDP against 2.3% in 9M:15), due mostly to the placement of deposits abroad by domestic banks. Moreover, net lending to the non-financial private sector weakened further in 9M:16 (with net repayments of 1.0% of GDP against 0.4% in 9M:15), as corporates' access to external financing remains constrained. All said, the overall balance (excl. debt repayments to IFIs) improved to a surplus of 1.0% of GDP in 9M:16 (up 1.6 pps y-o-y). As a result, FX reserves rose to EUR 33.3bn in September from EUR 32.2bn at end-2015, despite the NBR's cut in its reserve requirement rate on FX liabilities (by 2 pps to 10%), which released c. EUR 0.5bn to the market.

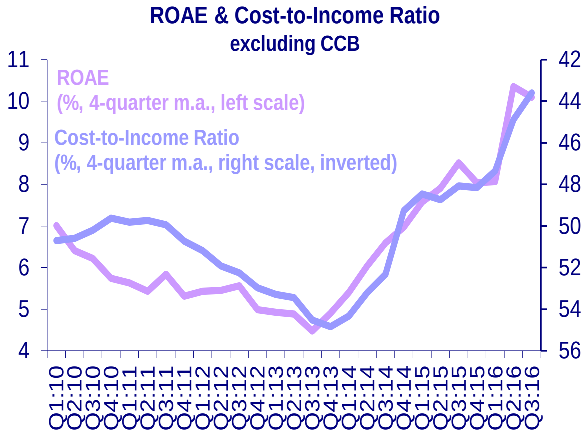
The CAD is set to widen further -- albeit at a slower pace -- to 3.2% of GDP in FY:17 from a projected 2.6% in FY:16, mainly on the back of strong domestic demand. Looking ahead, pressures on the trade deficit are set to persist, in view of buoyant domestic demand. The latter should be supported by a significant fiscal stimulus (0.7 pps of GDP in FY:17 following 1.8 pps in FY:16). Unfavourable global oil prices in FY:17 (we project the price of Brent to rise by 24.1% in EUR terms against a drop of 16.7% in FY:16) should also take their toll on the trade deficit.

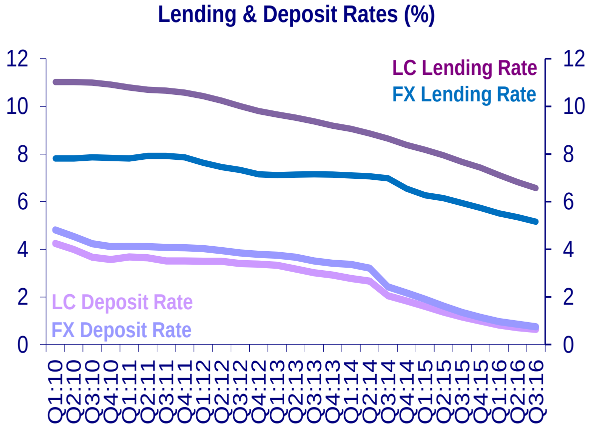
The larger CAD, combined with the resumption of debt repayments to IFIs (0.7% of GDP against just 0.1% in FY:16), should put pressure on FX reserves next year. According to our baseline scenario, assuming: i) net FDI inflows and portfolio investment remain broadly unchanged compared with their projected FY:16 levels (of 2.3% and 0.5% of GDP, respectively); ii) the rollover of maturing external debt continues at the current rate (of c. 90%); and iii) capital transfers increase (to 2.7% of GDP in FY:17 from a projected 2.4% in FY:16), due to the better absorption of EU funds, we foresee FX reserves declining by EUR 1.6bn – following a projected marginal rise of EUR 0.1bn in FY:16 -- to a still comfortable level of EUR 30.7bn at end-2017 (covering c. 5 months of GNFS imports).

Bulgaria

BB+ / Baa2 / BBB- (S&P / Moody's / Fitch)







	28 Nov.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.0	0.1	0.1	0.1
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	150	130	122	110

	28 Nov.	1-W %	YTD %	2-Y %
SOFIX	556	3.1	20.7	8.1

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	0.9	1.3	3.6	3.4	3.1
Inflation (eop, %)	-1.6	-0.9	-0.4	0.0	0.6
Cur. Acct. Bal. (% GDP)	1.3	0.1	0.4	2.5	1.3
Fiscal Bal. (% GDP)	-1.8	-3.7	-2.8	-0.4	-0.8

The profitability of the banking system improved slightly in Q3:16, despite higher provisioning. Net profit (after) tax rose by just 2.9% y-o-y in Q3:16 to 0.3% of GDP, bringing the increase in 9M:16 profit to 35% y-o-y. As a result, the annualised ROAA and ROAE improved to 1.6% and 12.1%, respectively, in 9M:16 from 1.2% and 9.7% in 9M:15.

Pre-provision net operating income strengthened in Q3:16, on the back of higher net non-interest income (NNII). Net interest income (NII) remained broadly flat in Q3:16 (up 0.4% y-o-y following increases of 3.3% in H1:16 and 5.3% in FY:15), as the expansion in interest earning assets (up 3.8% y-o-y) offset the impact of a lower net interest rate margin (320 bps in Q3:16 -- down 20 bps y-o-y -- against 330 bps in H1:16 and FY:15). The latter can be mainly attributed to the faster decline in lending interest rates, reflecting tighter competition among banks for market share against the backdrop of increased liquidity. Indeed, the loan-to-deposit ratio fell to 81.9% in Q3:16 (75.0% on a net basis) from 88.4% in Q3:15 and its peak of 146.7% in mid-2009.

Adjusting for once-off changes, operating expenses are estimated to have remained broadly flat in 9M:16. Unadjusted, they declined sharply (down 8.0% y-o-y in Q3:16 following a decline of 7.7% in H1:16 -- though up 0.8% in FY:15), reflecting an accounting change (deposit insurance fees moved up to non-interest expenses from operating expenses).

Importantly, NNII, adjusted for the aforementioned accounting change, improved in Q3:16 (by 26.0% y-o-y following increases of 27.8% in H1:16 and 12.2% in FY:15), mainly due to higher trading gains.

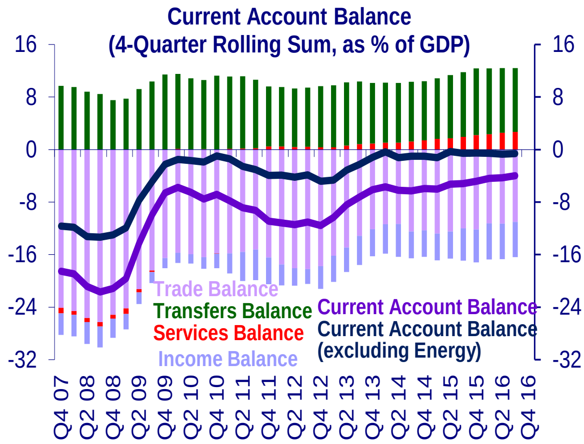
All said, the efficiency of the banking system improved further, with the cost-to-income ratio declining markedly by 360 bps y-o-y to 44.1% in Q3:16, far better than the EU average (62.8% in FY:15).

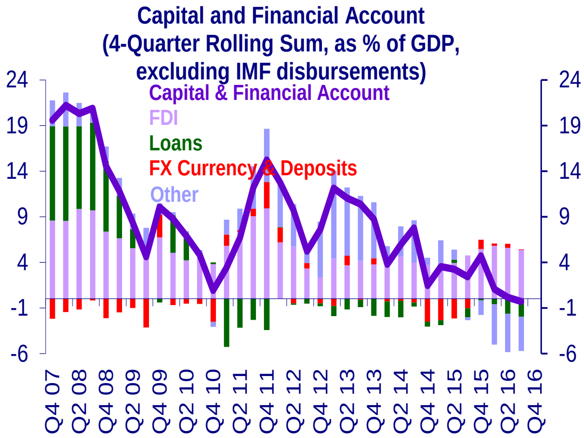
Provisioning increased in Q3:16, following the implementation of the asset quality review (AQR) adjustments. Recall that the recently completed AQR resulted in aggregate adjustments worth BGN 665mn (0.8% of GDP or 1.3% of risk-weighted assets, RWA), mainly due to the reclassification of performing assets worth BGN 3.7bn (7.1% of RWA) to non-performing exposures (NPEs). In view of the need to fully implement these adjustments by end-year, banks increased provisions sharply in Q3:16 (by 27.7% y-o-y against declines of 21.6% in H1:16 and 3.4% in FY:15), bringing the annualised cost of risk to 180 bps (up 40 bps y-o-y) against 120 bps in H1:16 and 200 bps in FY:15. Note that the NPE ratio stood at 20.1% in Q3:16 (the NPL ratio was lower at 14.6% in the same period), broadly unchanged compared with the same period in 2015, with the NPE coverage ratio remaining flat at c. 54.0%. Importantly, the banking system remains well-capitalised, with an estimated capital adequacy ratio of c. 22.0% in Q3:16, far above the minimum regulatory level of 13.5%.

Lower provisioning is set to support profitability in FY:17. In view of the continuing economic recovery, we expect the NPE ratio to improve, reaching 18.5% at end-2017. Assuming that banks raise their NPE coverage ratio to 58.0% from 54.0% currently, we see the cost of risk at 160 bps in FY:17 (against a projected 200 bps in FY:16). Profitability should be also supported by a pick-up in credit activity. Indeed, the increased transparency in the aftermath of the AQR and the introduction of negative interest rates by the BNB in early-2016 should prompt banks to accelerate lending next year (up 4.0% against a projected 1.0% in FY:16). All said, we see ROAE increasing to 12.0% in FY:17 from a projected 9.0% in FY:16 and 8.0% in FY:15. Note that the implementation of the remaining AQR adjustments will weigh on the Q4:16 financial results.

Serbia

BB- / B1 / BB- (S&P / Moody's / Fitch)





External Financing (EUR bn)		
	2015	2016F
Financing Needs	5.0	5.0
Current Account Deficit	1.6	1.4
Amortisations + Other	3.4	3.5
Financing Sources	5.6	4.5
FDI	1.8	1.8
Loans & Other	3.8	2.7
External Financing Balance	0.6	-0.5
IMF	-0.1	0.0*
Change in FX Reserves	0.5	-0.5

* Assuming no disbursements from the IMF

	28 Nov.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.3	3.4	3.5	3.8
RSD/EUR	123.1	125.1	125.4	125.7
Sov. Spread (2021, bps)	274	230	220	180

	28 Nov.	1-W %	YTD %	2-Y %
BELEX-15	692	1.8	9.7	-0.7

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	2.6	-1.8	0.7	2.5	2.7
Inflation (eop, %)	2.2	1.7	1.5	1.8	2.2
Cur. Acct. Bal. (% GDP)	-6.1	-6.0	-4.8	-4.2	-4.4
Fiscal Bal. (% GDP)	-5.5	-6.6	-3.8	-2.0	-2.0

External rebalancing continued in 9M:16, with the current account deficit (CAD) easing to a record low of 4.0% in September on a 12-month rolling basis, supported by favourable energy prices and buoyant exports. In 9M:16, the CAD shrank by 0.8 pps y-o-y to 2.6% of GDP, largely driven by a smaller trade deficit (down 1.1 pp y-o-y to 7.4% of GDP in 9M:16).

The improvement in the trade balance in 9M:16 was due to both the strong rebound in exports and a slowdown in energy imports. In fact, exports accelerated strongly (up 10.8% y-o-y, in EUR terms, in 9M:16 against a rise of 6.6% in 9M:15). Buoyant manufacturing exports are underpinned by past years' FDIs (diversified, and largely directed towards export-oriented sectors, with 35% of FDIs in 2014-15 in manufacturing). It is important to note that exports are currently 79.2% above their pre-crisis level in 2008 (more than doubling in 10 years), while imports are just 3.9% above their pre-crisis level in 2008.

The narrowing trade deficit was also reinforced by lower energy imports (accounting for 8.6% of total imports), declining by 22.8% y-o-y in 9M:16, in line with global oil prices (by 24.2% y-o-y, in EUR terms, in 9M:16), shaving an estimated 1.0 pp of GDP off the CAD in 9M:16. Excluding energy, imports rose at a faster pace, rising by a robust 9.4% y-o-y in 9M:16, despite the continued fiscal consolidation, mainly reflecting investment-related imports.

The capital and financial account (CFA) deteriorated significantly in 9M:16. The CFA balance turned into a deficit of 1.3% of GDP in 9M:16 from a surplus of 3.8% in 9M:15. The bulk of the CFA deterioration was due to large portfolio outflows (amounting to 2.0% of GDP in 9M:16, against low inflows of 0.1% of GDP in 9M:15), reflecting increasing uncertainty ahead of the April 24th elections along with a sharp decline in domestic debt yields (average yield on 12-month T-bills fell by 338 bps y-o-y to a record low of 3.9% in 9M:16). The deterioration in the CFA also reflects higher net loan repayments (1.8% of GDP in 9M:16 against nil in 9M:15). Importantly, FDI inflows remained strong (at 3.8% of GDP in 9M:16, as in 9M:15), leading to a positive basic balance (CAD & FDI) of 1.2% of GDP in 9M:16.

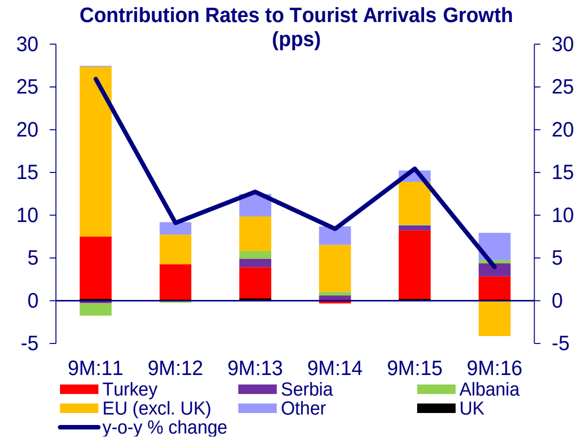
As a result, and despite large (net) positive errors & omissions (1.3% of GDP in 9M:16, reflecting unrecorded workers' remittances and tourism receipts), the overall balance was negative in 9M:16 (minus EUR 0.8bn, or -2.5% of GDP), and was financed through a drawdown in FX reserves. Nevertheless, the stock of FX reserves remained at the comfortable level of EUR 9.6bn in September (5.9 months of imports).

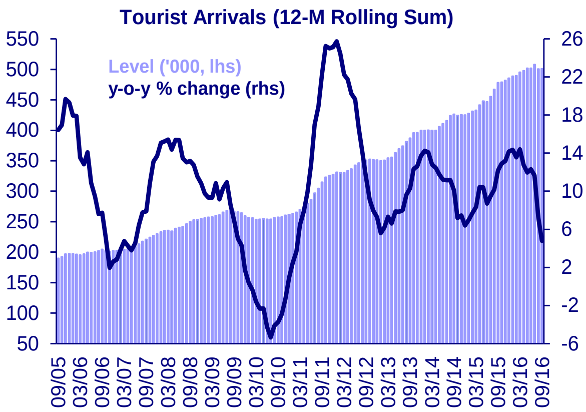
Although it is set to reverse its downward trend in Q4:16, the CAD is on track to decline to a 14-year low of 4.2% of GDP in FY:16. The anticipated slight deterioration in the CAD in Q4:16 (by 0.2 pps of GDP y-o-y) reflects a continued rebound in imports, reinforced by less favourable global oil prices (an expected rise of 11.6% y-o-y in EUR terms in Q4:16), and the sustained recovery in consumption. Despite the deterioration in Q4:16, the FY:16 CAD should stand at a 14-year low of 4.2% of GDP -- down from 4.8% in FY:15.

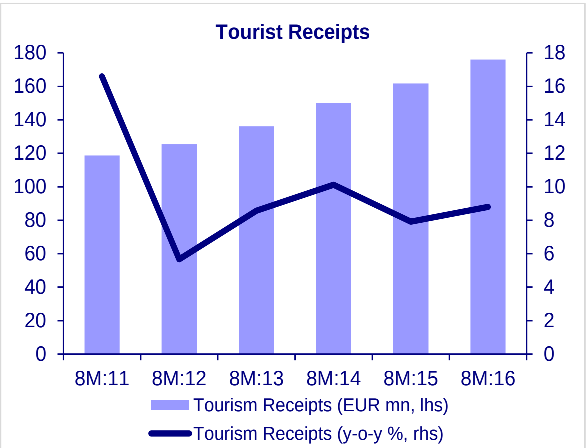
Regarding financing, the bulk of the CAD in Q4:16 should again be almost fully covered by large FDI inflows. Moreover, assuming positive capital inflows of 1.0% of GDP in Q4:16, underpinned by strengthening confidence after the formation of the new Cabinet and continued good relations with the IMF, we see a slightly positive overall balance in Q4:16 (EUR 0.3bn or 1.0% of GDP). Should our forecasts materialise, the FY:16 external financing gap would be contained at EUR 0.5bn (1.5% of GDP), bringing FX reserves to c. EUR 10.0bn this year (covering 6.1 months of GNFS imports). The external financing surplus in Q4:16 should be higher in the event Serbia draws an anticipated USD 1bn loan from the UAE by the end of the year.

F.Y.R.O.M.

BB- / NR / BB (S&P / Moody's / Fitch)







	28 Nov.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.7	1.7	1.7	1.7
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	443	410	380	350

	28 Nov.	1-W %	YTD %	2-Y %
MBI 100	2,235	-0.8	21.9	20.4

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	2.7	3.5	3.7	2.4	3.6
Inflation (eop. %)	1.4	-0.5	-0.3	0.6	1.3
Cur. Acct. Bal. (% GDP)	-1.6	-0.5	-2.1	-2.4	-2.8
Fiscal Bal. (% GDP)	-3.8	-4.2	-3.5	-4.0	-3.2

A positive IMF statement at the end of the 2016 Article IV Consultation. The main points of the statement were:

GDP growth is slowing due to the prolonged domestic political crisis. For 2016, the Fund revised down its GDP growth forecast to 2.2% (from 3.2% previously), due to the negative impact of domestic political uncertainty on investor confidence and the country's EU accession prospects. However, assuming that parliamentary elections take place on December 11th and that stability resumes thereafter, economic activity is expected to accelerate to 3.2% in 2017, benefiting from infrastructure, FDI inflows and improving labour market conditions.

Fiscal policy is set to loosen this year, but fiscal consolidation must resume without delay. The Fund expects a widening in the fiscal deficit by 0.5 pps y-o-y to 4% of GDP for 2016. For 2017-18, a consolidation of 1.5 pps of GDP in the cyclically-adjusted primary balance is recommended through the improvement of VAT collection and the reduction in social expenditure -- not through the traditional route of under-executing on capital spending.

Monetary policy should remain vigilant to preserve financial stability. The half year cycle of monetary policy tightening, along with macro-prudential measures to stop deposit outflows, helped dampen strong depreciation pressures on the MKD amid heightened political uncertainty, especially in April-May. In case of renewed financial concerns, the Central Bank should resume its cycle of monetary policy tightening to avoid risks from liquidity shortages in the banking system.

The financial sector remains in good shape. Banks are well capitalised and profitable. Furthermore, macro-prudential policies have been successful in maintaining banking system liquidity, despite increased pressure on deposit and exchange rates.

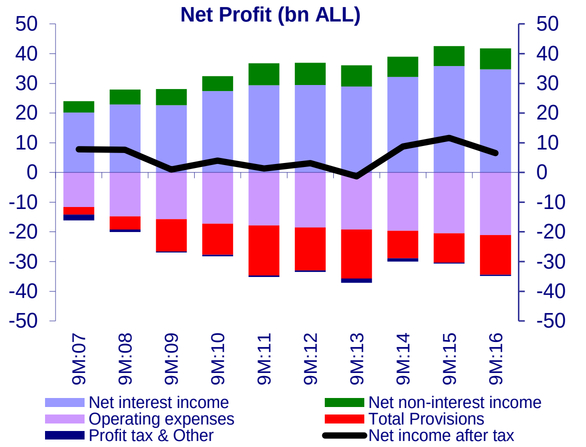
Tourist arrivals rose modestly in 9M:16. Tourist arrivals increased by 4.0% y-o-y to a record high 412.0k in the first nine months of the year, following a rise of 14.2% in FY:15. This positive performance was driven by: i) Turkey – the main source country (18.7% of total tourists in FY:15) -- up 14.2% y-o-y in 9M:16; and ii) neighbouring Serbia and Albania (9.0% and 3.8%, respectively, of total tourists in FY:15) -- up 17.6% y-o-y and 11.5% y-o-y, respectively. These gains more than offset a decline in arrivals from the EU (51.3% of total arrivals in FY:15), by 7.9% y-o-y in 9M:16, likely reflecting the negative impact from heightened domestic political instability and social unrest. The decrease in arrivals from the EU would have been even sharper had arrivals from neighbouring Bulgaria (6% of total arrivals in FY:15) not increased sharply (up 25.3% y-o-y in 9M:16). Encouragingly, excluding the EU, Turkey, Serbia and Albania, arrivals rose sharply by 18.5% y-o-y in 9M:16 compared with 7.2% y-o-y in 9M:15, mainly due to a significant increase in arrivals from Kosovo, B&H and Romania.

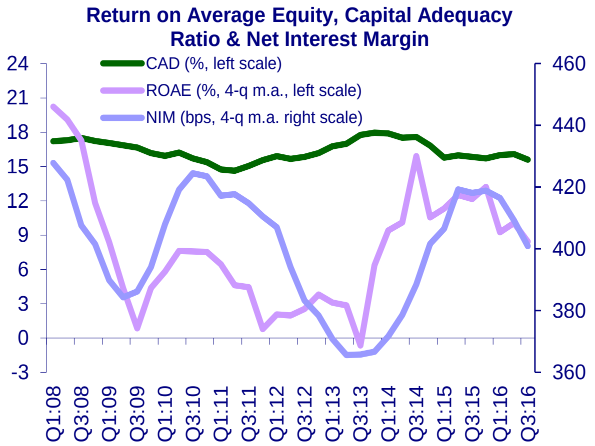
Tourist receipts reached an all-time high of EUR 176.0mn (1.8% of GDP) in 8M:16. Tourist receipts rose by 8.8% y-o-y in 8M:16 to a record high of EUR 176.0mn or 1.8% of GDP, following similar increases in 8M:15 and FY:15 (7.9% and 8.3%). The performance of tourist receipts was stronger than that of tourist arrivals in the same period (4.5% y-o-y in 8M:16), reflecting higher average spending per tourist (up 4.1% y-o-y in 8M:16).

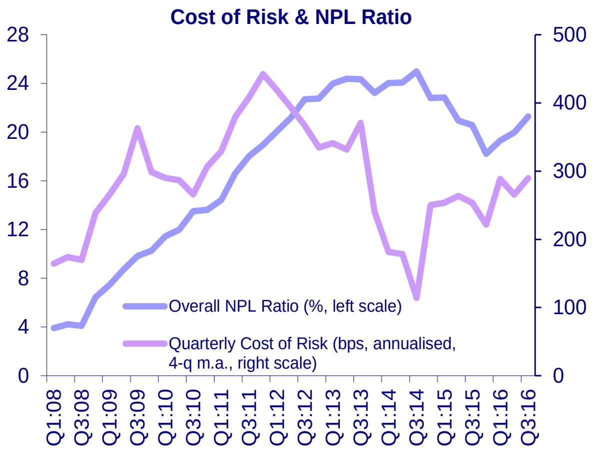
Going forward, we expect tourist arrival growth to slow slightly during the rest of the year, mainly on the back of a decline in arrivals from the largest source country, Turkey, due to the economic slowdown. All said, we see tourist arrivals rising modestly by c. 4.0% to a still high 505k in 2016, with receipts increasing at a higher pace -- up c. 5.0% or EUR 12mn to EUR 252mn or 2.6% of GDP -- helping sustain economic growth and employment (the tourism sector contributes c. 5% both to GDP and employment).

Albania

B+ / B1 / NR (S&P / Moody's / Fitch)







	28 Nov.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	135.4	138.5	138.7	139.0
Sov. Spread (bps)	380	340	320	300

	28 Nov.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	1.0	1.8	2.8	3.3	3.7
Inflation (eop, %)	1.9	0.7	2.0	1.8	2.4
Cur. Acct. Bal. (% GDP)	-10.9	-12.9	-10.7	-12.5	-13.0
Fiscal Bal. (% GDP)	-5.0	-5.2	-3.6	-2.0	-2.0

The banking sector bottom line weakened on an annual basis in 9M:16, mainly due to higher provisioning prompted by the bankruptcy of two large companies. Net profit (after tax) almost halved in 9M:16, recording a decline of 44.1% y-o-y to 0.4% of GDP. The poor performance was mostly due to higher provisions, prompted by the bankruptcy of two large borrowers (see below) and, to a lesser extent, weaker pre-provision income.

As a result, (annualised) ROAE and ROAA declined to 6.8% and 0.7%, respectively, in 9M:16 from 13.1% and 1.2% in both 9M:15 and FY:15.

The cost of risk increased on an annual basis in 9M:16. P/L provisions rose by 35.5% y-o-y in 9M:16 (absorbing 63.0% of pre-provision earnings in 9M:16, against just c. 42.0% in 9M:15). This occurred due to the bankruptcy of Albania's only steelmaker, Turkish Kurum, as well as the 15% state-owned oil refiner, ARMO. Note that these bankruptcies, along with the concomitant pressures on related companies due to domino effects, prompted a rise in the NPL ratio to 21.3% in Q3:16 from a trough of 18.2% at end-2015 (with Kurum's bankruptcy alone increasing the NPL ratio by 1.0 pp, according to the BoA) -- yet still well below its post-crisis peak of 25.0% in Q3:14. Recall that the sharp decline in NPLs between 2014 and 2016 was supported by: i) the 2015 regulation mandating the obligatory write-off of loans held in "loss" category for more than three years; and ii) the Government's clearance of a large part of its accumulated arrears in 2014-15 (whose impact will be visible in 2016, due to loan reclassification lags).

As a result, the (annualised) cost of risk increased by 80 bps y-o-y to 303 bps in 9M:16, exceeding the FY:15 outcome of 223 bps.

Importantly, the capital adequacy ratio, although declining (due to the implementation, as of January 2015, of stricter capital adequacy requirements under Basel II), remains strong at 15.6% -- exceeding the regulatory minimum (of 12%).

Pre-provision income was weak in 9M:16. A decline in pre-provision earnings (down 8.5% y-o-y in 9M:16 against rises of 17.6% in 9M:15 and 10.8% in FY:15) reinforced the negative impact from higher provisions on the bottom line. This was due to higher operating expenses, as well as the drop in net interest income (NII).

Indeed, NII declined -- after rising strongly for 2 successive years -- as higher average interest earning assets (up 3.6% y-o-y in 9M:16) were more than offset by NIM compression (down 27 bps y-o-y to 384 bps in 9M:16 compared with 421 bps in FY:15).

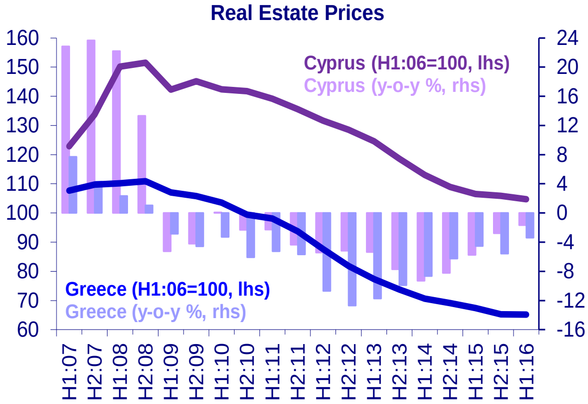
NIM compression occurred due to both: i) the decline in non-core NIM, in line with the sharp drop in government domestic debt yields (the 12-month T-bill rate declined by 1.8 pps y-o-y to a low of 1.6% in 9M:16), due to reduced Government financing needs following the issuance of a Eurobond in November; and ii) the deterioration in core NIM, on the back of the lagged repricing of loans (following a faster repricing of deposits so far). In fact, NII from customers and NII from T-bills and securities (accounting for a respective 56.5% and 43.5% of NII) declined by 4.9% and 0.9% y-o-y, respectively, in 9M:16.

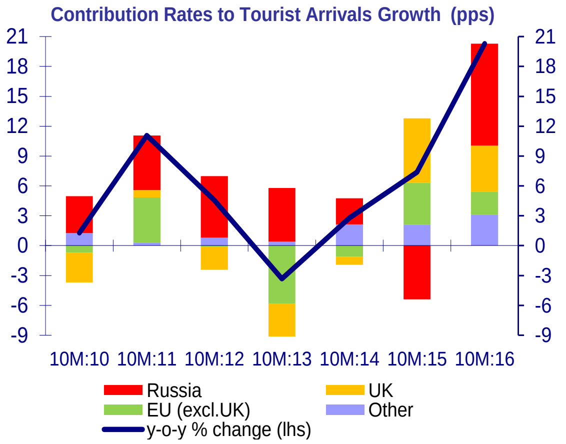
On another negative note, operating expenses, although rising at a slower pace (2.9% y-o-y in 9M:16 against 4.0% in 9M:15, including a 3.4% y-o-y rise in personnel expenditure in 9M:16) also weighed on pre-provision income.

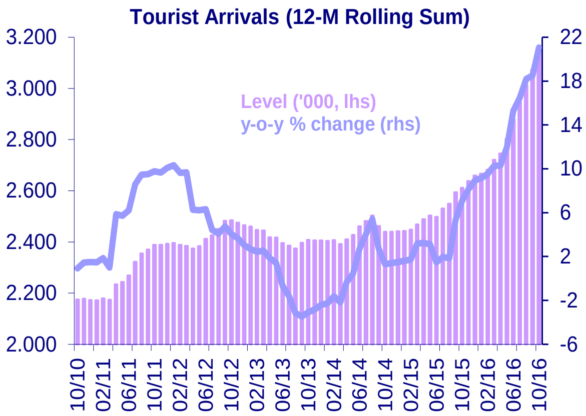
With operating income declining and operating expenses rising, the cost-to-income ratio rose by 2.3 pps y-o-y to 50.4% in 9M:16 -- above the FY:15 outcome of 49.2%.

Cyprus

BB / B1 / BB- (S&P / Moody's / Fitch)







	28 Nov.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.06	1.08	1.08	1.05
Sov. Spread (2020. bps)	273	260	230	200

	28 Nov.	1-W %	YTD %	2-Y %
CSE Index	65	-2.4	-4.3	-24.2

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	-6.0	-1.5	1.7	2.8	2.4
Inflation (eop. %)	-2.3	-1.5	-1.2	-0.2	1.0
Cur. Acct. Bal. (% GDP)	-4.9	-4.3	-2.9	-4.0	-4.3
Fiscal Bal. (% GDP)	-4.7	-0.2	0.0	0.3	0.0

The decline in real estate prices slowed in H1:16. The Central Bank's Residential Property Price Index (RPPI) declined by 1.7% y-o-y in H1:16 compared with a decline of 4.3% in FY:15 and a trough of -9.3% in H1:14. With the H1:16 outcome, prices reverted to their H2:06 level – 30.9% down from their peak in H2:08.

The slowdown reflects, *inter alia*: i) a sharp rise in property sales to domestic buyers (up 35.8% y-o-y to 2,327 in H1:16), reflecting a brighter economic outlook, following the conclusion of the 3-year adjustment programme at end-Q1:16, as well as a 50% reduction in transfer fees for property purchases starting from July 2015; ii) large FDI inflows to the real estate sector (estimated to have risen sharply by c. 130% y-o-y to EUR 183mn or 1.0% of GDP in H1:16 following a rise of 7.1% to EUR 194mn or 1.1% of GDP in FY:15); and iii) the stabilisation in mortgage credit activity (-0.6% y-o-y at end-H1:16 against -5.3% y-o-y at end-H1:15 and a trough of -6.9% y-o-y at end-H1:13) on the back, *inter alia*, of lower interest rates.

Going forward, we expect real estate prices to decline at an even slower pace in H2:16 due, *inter alia*, to: i) the parliamentary approval, in mid-July, of the reduction of the immovable property tax by c. 75.0% for this year and its abolition from 2017 onwards; and ii) the ongoing gradual implementation of the mortgage foreclosure law by banks in an effort to avoid an over-supply shock. Note that the strong rise in property sales to overseas buyers is largely supported by a government programme providing (a) permanent residence to foreigners for property purchases exceeding EUR 300k and (b) citizenship for property purchases exceeding EUR 5mn. All said, we foresee real estate prices posting their mildest decline in the past 5 years in FY:16 -- down by c. 1.5% against declines of 4.3% in FY:15 and 8.8% in FY:14.

Tourist arrivals rose sharply in 10M:16, benefiting mainly from elevated security concerns in Turkey and Egypt. Tourist arrivals rose by an impressive 20.3% y-o-y to a recent high of 2.97mn in 10M:16, following a rise of 8.9% to 2.7mn in FY:15. The improved performance was mainly driven by Russia, the second largest source country (c. 20% of total arrivals in FY:15) and the UK, the main source country (c. 39% of total arrivals in FY:15). Indeed, the number of Russian and British tourists rose by 50.7% y-o-y and 11.8% y-o-y, respectively, in 10M:16, contributing 10.2 pps and 4.7 pps to the overall annual rise in the corresponding period. The sharp increase in Russian and British tourists reflects heightening security concerns in neighbouring competitors – Turkey and Egypt – following the downing of a Russian plane by Turkey in November 2015 and the terrorist bombing of a Russian commercial plane in Egypt in October 2015. Furthermore, tourist arrivals from third countries (excluding the UK and Russia) also recorded a strong y-t-d performance (up 13.3% y-o-y in 10M:16), benefiting, *inter alia*, from a higher number of direct flights, mostly low cost charters, supported by the gradual harmonization of Cyprus' external aviation policy with that of the EU, as well as the country's reputation as a safe destination.

Tourist arrivals are expected to reach an all-time high of 3.1mn in FY:16. Looking ahead, we expect the positive momentum in tourist arrivals to weaken during the remainder of the year, due to base effects from the sharp increase in 11-12M:15 (up 34.8% y-o-y) following the above-mentioned downing of Russian planes in Q4:15. Overall, we see tourist arrivals rising by c. 18% to an all-time high of 3.1mn in FY:16 from a 14-year high of 2.7mn in FY:15.

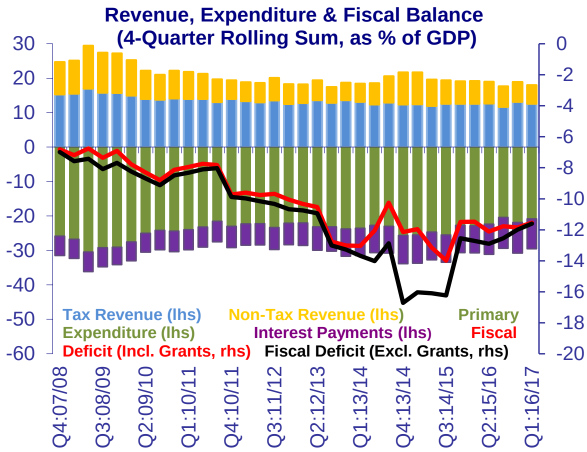
With tourism accounting for roughly 19.0% of GDP, we see real GDP growth accelerating to 2.8% in FY:16 from 1.7% in 2015. Moreover, with tourism accounting for c. 20.0% of employment, we expect unemployment to decline to 11.2% in FY:16 from 15.0% in FY:15.

Egypt

B- / B3 / B (S&P / Moody's / Fitch)

Fiscal Accounts (% of GDP)	2015/16 Estimate	Q1: 2015/16 Outcome	Q1: 2016/17 Outcome	2016/17 Budget	NBG 2016/17 Forecast
Revenue	19.0	3.6	3.0	20.6	21.6
Tax Revenue	13.1	2.3	2.0	13.3	13.9
Income Tax	5.4	0.9	0.6	4.6	4.8
Personal Income	1.6	0.3	0.3	1.7	1.7
Corporate Income	3.8	0.6	0.4	2.9	3.1
Property Taxes	1.0	0.2	0.2	1.1	1.2
Taxes on G. & S.	5.2	1.1	1.0	6.2	6.3
Taxes on Int. Trade	1.1	0.2	0.1	0.9	1.1
Other Taxes	0.4	0.0	0.0	0.5	0.5
Grants	0.2	0.1	0.0	0.1	0.1
Other Revenue	5.7	1.2	1.0	7.2	7.6
Expenditure	30.8	6.4	5.3	30.4	32.4
Wages & Salaries	7.7	2.0	1.7	7.0	7.0
Purch. of G. & S.	1.3	0.2	0.2	1.3	1.3
Interest Payments	8.9	1.8	1.8	9.0	9.6
Subsidies. grants & social benefits	7.7	1.4	1.0	6.3	7.8
Other Expenditure	5.1	1.1	0.7	6.7	6.7
Fiscal Balance	-11.8	-2.8	-2.3	-9.8	-10.8
Primary Balance	-2.9	-1.0	-0.6	-0.8	-1.2
Fiscal Balance *	-11.9	-2.9	-2.4	-9.9	-10.9
Primary Balance *	-3.0	-1.1	-0.6	-0.9	-1.3

*: Excluding grants



	28 Nov.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	15.1	17.0	17.0	16.5
EGP/USD	17.7	16.8	16.4	16.0
Sov. Spread (2020. bps)	412	350	300	220

	28 Nov.	1-W %	YTD %	2-Y %
HERMES 100	997	-0.8	58.4	12.4

	13/14	14/15	15/16	16/17F	17/18F
Real GDP Growth (%)	2.2	4.4	4.3	3.5	4.5
Inflation (eop. %)	8.2	11.4	14.0	18.0	13.5
Cur. Acct. Bal. (% GDP)	-0.8	-3.7	-5.5	-5.0	-3.5
Fiscal Bal. (% GDP)	-12.2	-11.5	-11.8	-10.8	-9.5

The fiscal deficit narrowed significantly in the first quarter of the fiscal year, mainly due to deferred payments and an under-execution of capital spending. The fiscal deficit was down 0.5 pps y-o-y to 2.3% of GDP in Q1:16/17 (July-September 2016), as a decline in revenue (down 0.6 pps of GDP y-o-y) was more than fully offset by a sharper fall in expenditure (down 1.1 pp of GDP y-o-y).

Specifically, the decline in expenditure was driven mainly by delayed capital expenditure, a lower wage bill, and deferred payments to Egypt's state buyer of subsidised basic commodities, GASC. On the other hand, the negative revenue performance mainly reflects weaker corporate income tax from the Central Bank of Egypt (CBE) and Suez Canal, as well as lower dividends from the CBE. Lower taxes on goods & services and weaker grants from Gulf countries also contributed to the negative revenue performance in Q1:16/17. Note that the performance of taxes on goods & services would have been worse had the long-delayed VAT of 13% not entered into force on September 9th (replacing complex sales taxes). As a result, the 4-quarter rolling fiscal deficit narrowed to 11.3% of GDP in Q1:16/17 from an estimated 11.8% in Q4:15/16 -- well above the FY:16/17 target of 9.8%.

The fiscal deficit is expected to come down in FY:16/17; but nevertheless miss its target unless further corrective measures are introduced. The 2016/17 Budget envisages a fiscal tightening, targeting a deficit of 9.8% of GDP compared with the estimated FY:15/16 outcome of 11.8%. However, this target appears to be out of reach, mainly in view of the expected sharp rise in subsidies of largely-imported energy & food and interest payments, following the flotation of the domestic currency (and its subsequent depreciation by c. 50% against the USD) and the sharp hike in policy rates in early-November (by 300 bps).

Indeed, under our baseline, assuming a FY:16/17 average exchange rate of EGP 13.6 per USD against a budgeted EGP 9.0 per USD, a FY:16/17 average price of Brent of USD 48.0 per barrel against a budgeted USD 40.0 per barrel, and a 400 bp higher-than-budgeted average interest rate on public debt in FY:16/17, we foresee: i) energy subsidies surpassing their budget target of EGP 64.0bn (2.0% of GDP) by USD 36.0bn (1.1% of GDP), despite the sharp hikes in electricity prices by c. 20.0% in early-August and fuel prices by c. 30% in early-November; and interest payments reaching 9.6% of GDP against a budgeted 9.0% and an estimated FY:15/16 outcome of 8.9%.

Moreover, further expenditure slippage is set to arise from higher-than-budgeted food subsidies and social benefits, as the Government is committed to softening the blow to the poor from the negative impact of the hike in fuel prices and the depreciation of the currency. Specifically, the Government intends from December: i) to increase the amount allocated to individuals holding food subsidy cards by EGP 3 to EGP 21, bringing food subsidies up to EGP 50bn (1.6% of GDP) from a budgeted EGP 44bn (1.4% of GDP); and ii) to add EGP 10bn (0.3% of GDP) to the budgeted EGP 68.0bn (2.1% of GDP) social spending benefiting to individuals and families living below the poverty line.

The expected spending slippage (2 pps of GDP) should be partly offset by higher-than-projected revenue. Indeed, in view of stronger-than-budgeted nominal GDP growth (by 4 pps), the introduction of the VAT and the positive impact of the depreciation on import tax and Suez Canal receipts, overall revenue should overperform its target by 1 pp of GDP.

Overall, without additional corrective measures, the FY:16/17 fiscal deficit should stand at 10.8% -- half way between its target of 9.8% and the estimated FY:15/16 outcome of 11.8%.

FOREIGN EXCHANGE MARKETS, NOVEMBER 28TH 2016

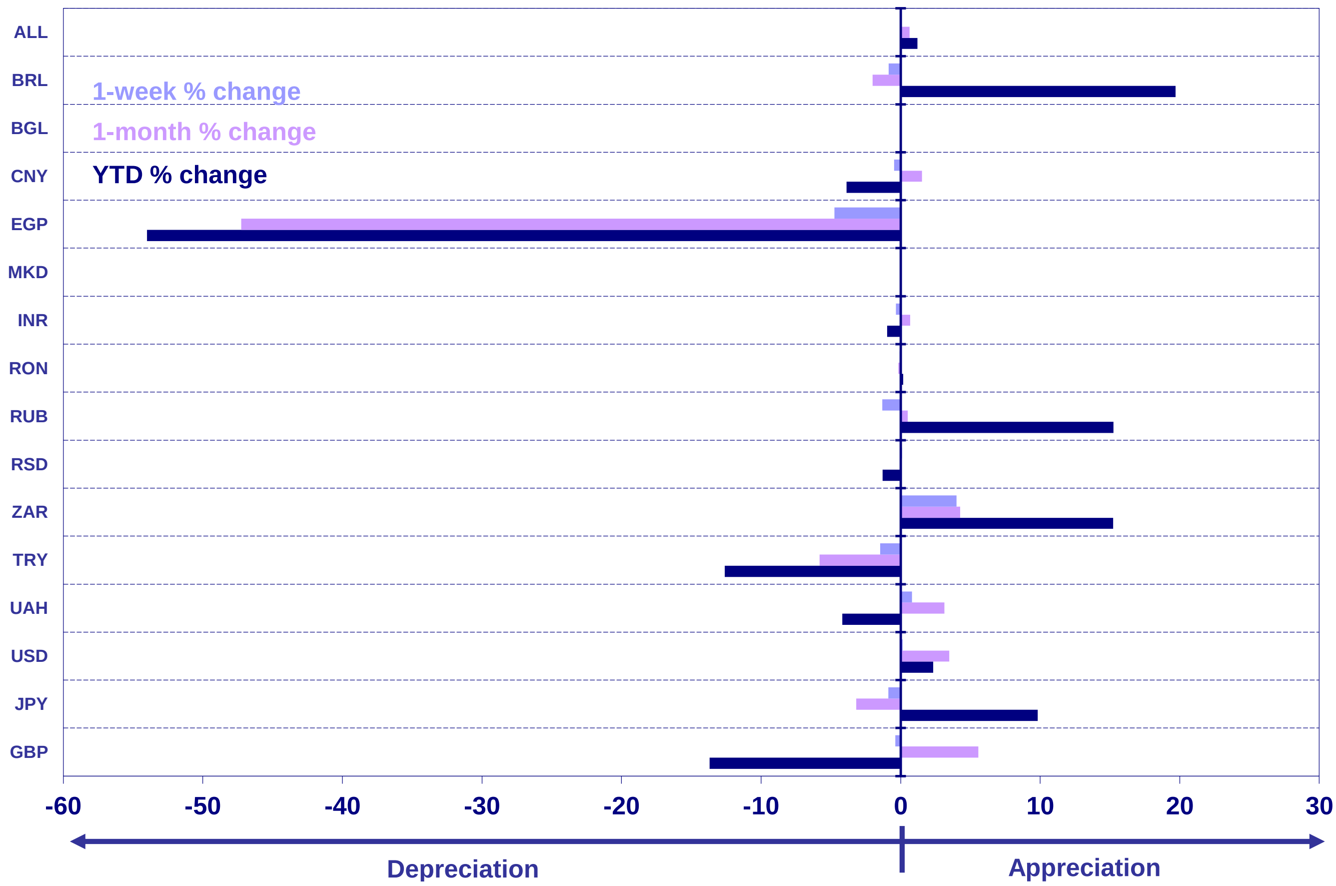
Against the EUR

	Currency	2016										2015	2014
		SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	% change*	% change*
Albania	ALL	135.4	0.1	0.6	1.2	1.9	135.5	139.5	135.8	135.9	135.1	2.0	0.1
Brazil	BRL	3.59	-0.9	-2.0	19.7	13.7	3.38	4.55	4.09	4.07	4.03	-25.2	1.0
Bulgaria	BGL	1.96	0.0	0.0	0.0	0.0	1.96	1.96	1.96	1.96	1.96	0.0	0.0
China	CNY	7.32	-0.5	1.5	-3.9	-7.8	6.99	7.64	7.57	7.56	7.56	6.7	10.8
Egypt	EGP	18.45	-4.7	-47.3	-54.0	-55.3	8.26	19.85	- - -	- - -	- - -	2.1	10.6
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	72.5	-0.3	0.7	-1.0	-3.2	71.3	77.8	77.4	- - -	- - -	6.6	12.3
Romania	RON	4.51	-0.1	-0.2	0.2	-1.3	4.49	4.56	4.52	4.52	4.57	-0.8	-0.5
Russia	RUB	68.8	-1.3	0.5	15.3	1.9	67.4	75.1	70.4	72.2	75.6	-15.1	-32.8
Serbia	RSD	123.1	0.1	0.0	-1.3	-1.6	121.6	124.3	123.6	123.9	- - -	-0.1	-5.6
S. Africa	ZAR	14.6	4.0	4.3	15.2	4.8	14.50	18.58	14.9	15.2	15.9	-16.6	3.0
Turkey	YTL	3.62	-1.5	-5.8	-12.6	-15.1	3.12	3.68	3.72	3.82	4.04	-10.8	4.4
Ukraine	UAH	27.2	0.8	3.1	-4.2	-7.1	25.06	30.32	32.2	- - -	- - -	-27.5	-40.8
US	USD	1.06	0.1	3.5	2.3	-0.5	1.1	1.2	1.07	1.07	1.08	11.4	13.6
JAPAN	JPY	118.8	-0.9	-3.2	9.8	9.4	109.6	132.3	118.9	118.8	118.8	11.0	-0.1
UK	GBP	0.85	-0.4	5.6	-13.7	-17.7	0.7	0.9	0.86	0.86	0.86	5.3	7.0

* Appreciation (+) / Depreciation (-)

** Forward rates have been calculated using the uncovered interest rate parity for Brazil, China, Egypt, India and Ukraine

Currencies against the EUR (November 28th 2016)



MONEY MARKETS, NOVEMBER 28TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	13.9	0.0	2.3	- - -	15.1	- - -	- - -	0.6	10.4	- - -	8.8	6.8	14.9	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.6	10.5	3.0	- - -	7.3	- - -	- - -	- - -
S/W	1.4	13.8	0.0	2.5	-0.4	- - -	1.3	- - -	- - -	9.2	3.0	- - -	7.9	15.5	-0.4	0.5
1-Month	1.6	13.7	0.0	2.8	-0.4	- - -	1.7	6.4	0.7	10.7	3.3	9.2	8.0	16.8	-0.4	0.6
2-Month	- - -	13.5	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	8.8	3.4	9.8	8.3	- - -	-0.3	0.7
3-Month	1.8	13.4	0.1	3.0	-0.3	- - -	2.0	6.4	0.8	9.0	3.5	10.0	8.8	18.0	-0.3	0.9
6-Month	2.1	13.0	0.3	3.0	-0.2	- - -	2.4	- - -	1.0	9.4	3.6	10.7	8.9	- - -	-0.2	1.3
1-Year	2.6	12.2	0.8	3.1	-0.1	- - -	3.0	- - -	1.2	10.4	- - -	11.0	9.0	- - -	-0.1	1.6

LOCAL DEBT MARKETS, NOVEMBER 28TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	16.6	1.6	6.0	- - -	10.1	3.1	8.8	- - -	- - -	-0.8	0.5
6-Month	1.6	- - -	- - -	- - -	- - -	17.9	2.3	6.0	0.7	10.1	3.4	9.6	- - -	- - -	-0.7	0.6
12-Month	2.6	- - -	0.3	2.2	- - -	17.6	2.6	6.2	0.9	9.0	4.0	10.2	- - -	15.3	-0.8	0.8
2-Year	- - -	- - -	- - -	2.4	- - -	- - -	2.0	6.1	0.8	8.8	- - -	10.5	7.9	- - -	-0.8	1.1
3-Year	- - -	- - -	0.8	2.4	1.5	- - -	2.7	6.1	1.6	8.8	- - -	10.4	8.1	15.8	-0.7	1.4
5-Year	- - -	11.9	- - -	2.7	- - -	16.8	2.7	6.3	2.5	8.9	5.6	10.8	8.3	- - -	-0.5	1.8
7-Year	- - -	- - -	1.3	- - -	3.4	17.0	- - -	6.3	3.1	8.9	- - -	- - -	- - -	- - -	-0.3	2.1
10-Year	- - -	12.0	2.2	2.9	3.6	17.0	3.8	6.3	3.5	8.8	- - -	10.8	8.9	- - -	0.2	2.3
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	6.8	- - -	9.0	- - -	- - -	9.3	- - -	0.4	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.6	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	6.7	- - -	- - -	- - -	- - -	9.6	- - -	0.8	3.0

*For Albania. FYROM and Ukraine primary market yields are reported

CORPORATE BONDS SUMMARY, NOVEMBER 28TH 2016

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.25% '18**	EUR	NA/NA	7/11/2018	500	3.4	414	355
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.1	582	534
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	2.8	338	273
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	10.3	116	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	11.0	199	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.9	259	236
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.6	137	74
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	3.9	464	394
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	3.6	431	363
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	3.7	417	362
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	7.4	556	519

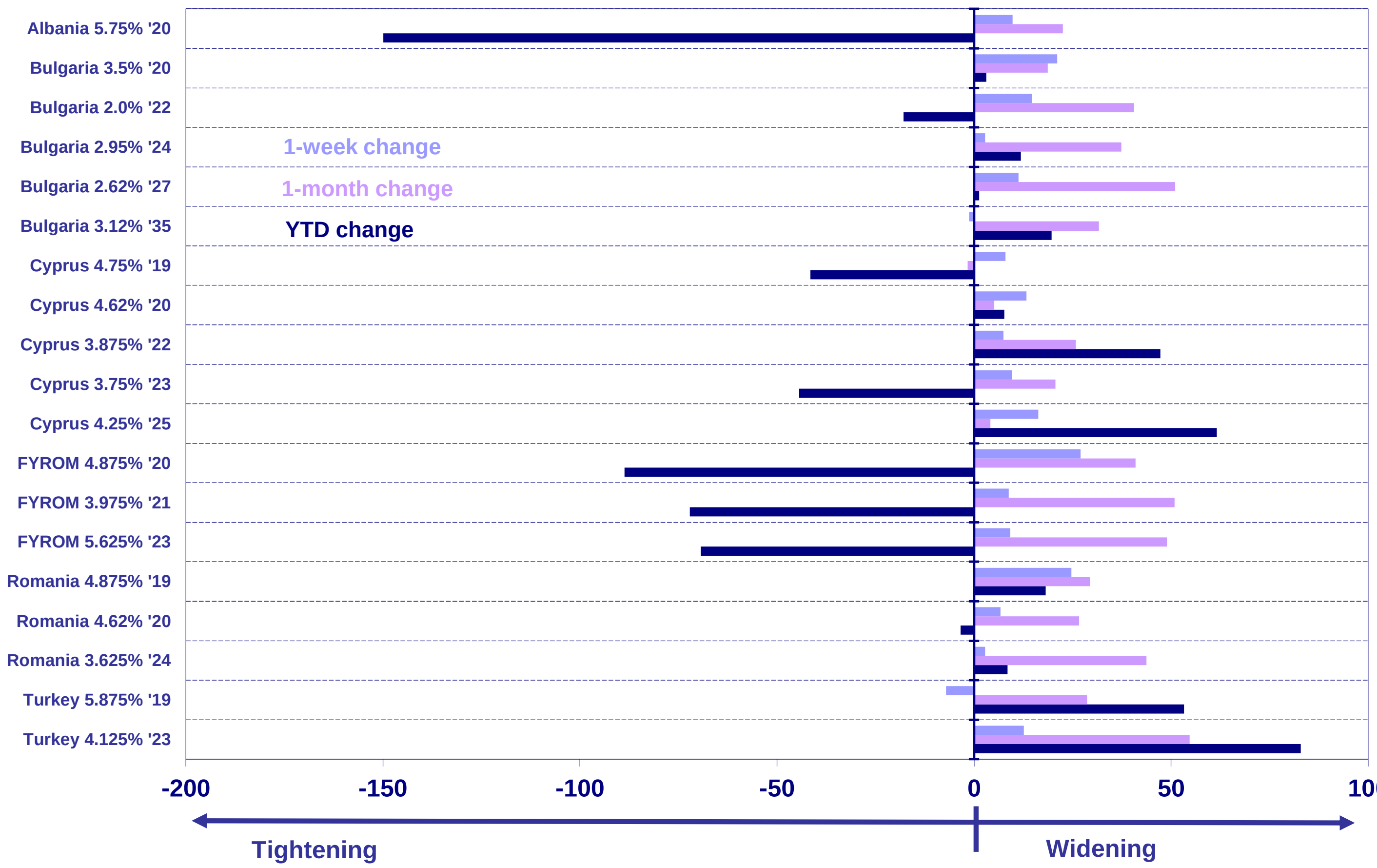
CREDIT DEFAULT SWAP SPREADS, NOVEMBER 28TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	294	147	119	251	480	- - -	136	110	222	209	288	237	- - -
10-Year	- - -	367	192	167	278	490	- - -	144	151	282	251	346	297	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, NOVEMBER 28TH 2016

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	3.2	380	336
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.7	144	83
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.1	150	103
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	1.9	203	157
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.5	226	179
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.3	271	220
Cyprus 4.75% '19	EUR	BB-/NA	25/6/2019	566	1.5	228	174
Cyprus 4.62% '20	EUR	BB-/B1	3/2/2020	770	2.0	273	217
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	3.2	362	314
Cyprus 3.75% '23	EUR	NA/NA	26/7/2023	1,000	3.4	368	316
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	3.6	355	312
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	3.7	427	374
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	4.0	443	506
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	5.1	535	486
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.4	117	58
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.5	111	58
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.0	212	174
Turkey 5.875% '19	EUR	NR/Baa3	11/4/2023	1,250	2.0	281	229
Turkey 4.125% '23	EUR	B+/B1	12/11/2020	1,000	3.7	391	345

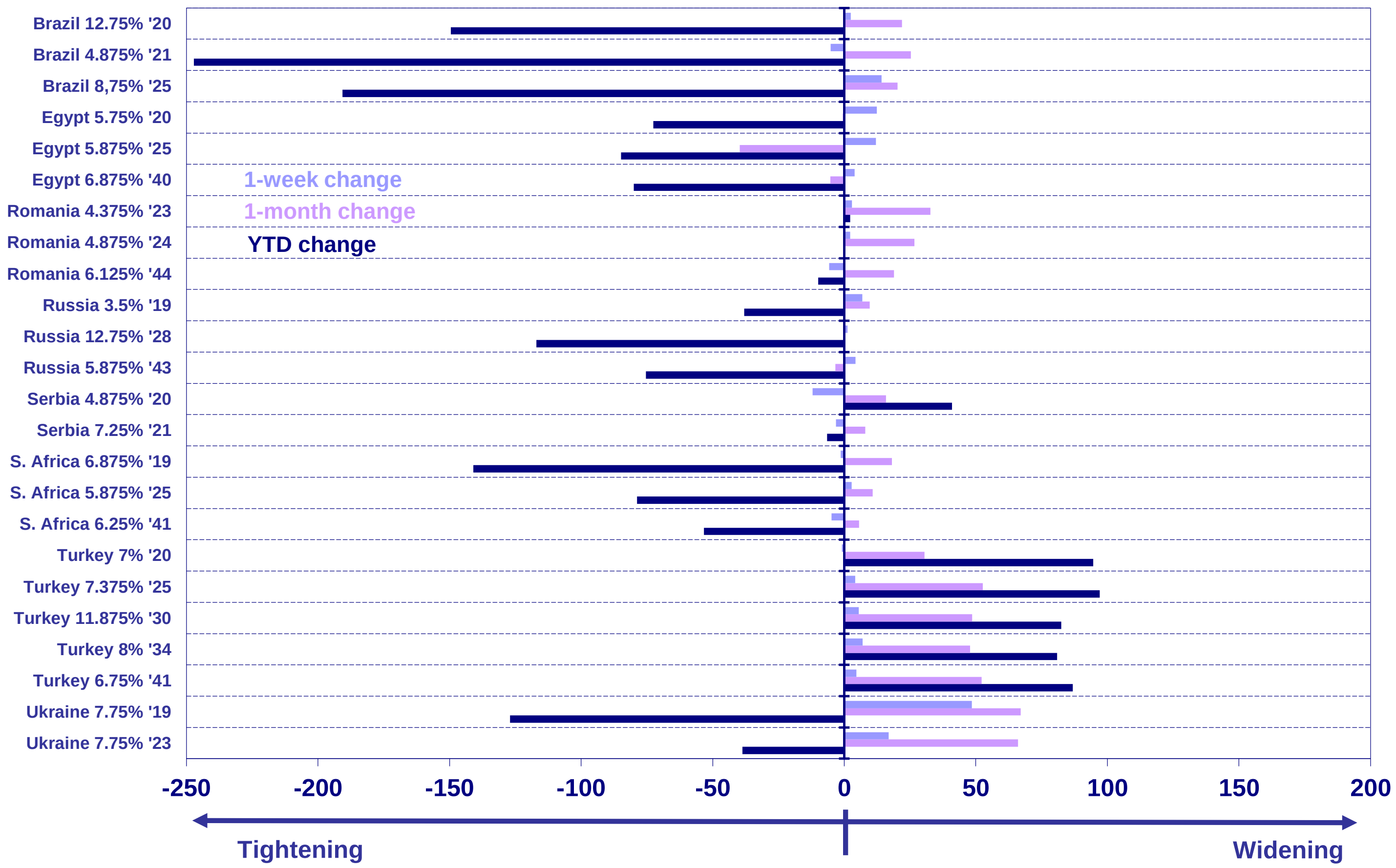
EUR-Denominated Eurobond Spreads (November 28th 2016)



USD-Denominated Sovereign Eurobond Summary, November 28th 2016

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB/Ba2	15/1/2020	234	3.5	216	233
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	4.1	232	245
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	5.3	317	364
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	5.5	412	388
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	7.2	487	477
Egypt 6.875% '40	USD	BBB-/Baa3	22/8/2023	500	8.1	507	506
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	3.8	162	182
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	3.8	166	186
Romania 6.125% '44	USD	BB+/Ba1	16/1/2019	1,000	4.9	186	270
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	3.0	190	166
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	4.9	260	381
Russia 5.875% '43	USD	BB-/B1	25/2/2020	1,500	5.3	228	296
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	4.3	290	273
Serbia 7.25% '21	USD	BBB-/Baa2	27/5/2019	2,000	4.5	274	293
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	2,000	3.3	188	193
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.8	250	282
S. Africa 6.25% '41	USD	NR/Baa3	5/6/2020	750	5.5	254	326
Turkey 7% '20	USD	NR/Baa3	5/2/2025	2,000	4.7	333	322
Turkey 7.375% '25	USD	NR/Baa3	15/1/2030	3,250	5.9	374	398
Turkey 11.875% '30	USD	NR/Baa3	14/2/2034	1,500	6.2	388	512
Turkey 8% '34	USD	NR/Baa3	14/1/2041	1,500	6.6	428	458
Turkey 6.75% '41	USD	B-/Caa3	1/9/2019	3,000	6.7	370	396
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,744	9.0	762	727
Ukraine 7.75% '23	USD	BB/Ba2	15/1/2020	1,355	9.5	731	699

USD-Denominated Eurobond Spreads (November 28th 2016)



STOCK MARKETS PERFORMANCE, NOVEMBER 28TH 2016

	2016								2015		2014	
	Local Currency Terms							EUR Terms	Local Currency Terms	EUR terms	Local Currency terms	EUR terms
	Level	1-week % change	1-month % change	YTD % change	1-year % change	Year-Low	Year-High	YTD % change	% change		% change	
Brazil (IBOV)	62,855	2.9	-2.3	45.0	39.3	37,046	65,291	74.7	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	556	3.1	5.7	20.7	27.7	432	565	20.7	-11.7	-11.7	6.2	6.2
China (SHCOMP)	3,277	1.8	5.6	-8.3	-4.9	2,638	3,539	-11.2	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	65	-2.4	-2.4	-4.3	-8.2	64	70	-4.3	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	997	-0.8	35.8	58.4	73.2	521	1,016	-26.6	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	2,235	-0.8	8.5	21.9	26.5	1,699	2,273	21.9	-0.6	-0.6	6.1	6.1
India (SENSEX)	26,350	2.3	-5.7	1.5	0.8	22,495	29,077	1.3	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,294	-0.9	-1.3	-3.5	-4.2	1,150	1,329	-3.2	2.6	1.6	3.7	3.5
Russia (RTS)	4,594	1.4	3.0	16.0	14.2	3,509	4,688	35.1	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	692	1.8	2.3	9.7	12.0	570	695	8.4	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	50,194	-0.8	-1.2	-1.2	-2.7	45,976	54,704	15.3	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	74,990	-0.7	-4.3	2.4	-0.3	68,230	86,931	-9.8	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	266	-0.6	4.7	10.3	7.1	215	269	6.0	-37.8	-54.8	28.7	-24.2
MSCI EMF	863	1.9	-4.5	9.1	6.0	687	930	12.3	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,628	0.2	-2.2	-5.7	-6.5	1,492	1,735	-2.9	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	604	-1.9	2.6	-1.1	-4.8	421	659	-1.1	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	10,583	-1.0	-1.1	-1.5	-7.0	8,699	10,828	-1.5	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,799	0.3	-2.8	8.4	7.0	5,500	7,130	-6.4	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	18,357	1.4	5.2	-3.6	-7.0	14,864	18,951	6.9	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	19,098	0.7	5.2	8.5	7.8	15,451	19,152	11.7	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,202	0.2	3.5	6.7	5.8	1,810	2,213	9.9	-0.7	10.9	11.4	26.6

Equity Indices (November 28th 2016)